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Copy No. 2

MEMORANDUM FOR THE RECORD

28 November 1958

SUBJECT: Additional Release from the Reserve for CORONA

1. CORONA has been funded to date by a release from the Agency Reserve in Fiscal Year 1958 of [REDACTED] dollars. In late September, a further release from the Reserve was approved for a variety of DPS projects. Of the total of [REDACTED] authorized at that time, [REDACTED] was for CORONA. Accordingly, the total available up to this time is [REDACTED]

2. Some months ago it became apparent that additional funds would be required in the current fiscal year to cover over-runs and to fund certain costs originally expected to be paid by the Department of Defense. These were changes which it was desirable to shift from the relatively overt ARPA/Air Force contract with Lockheed to the Agency's covert contract for reasons of security and cover. About mid-November the financial position with respect to the whole Project became sufficiently clarified to permit an approach to the Bureau of the Budget for an additional release for these purposes. Following a meeting of Mr. Veatch of the Bureau with representatives of ARPA and my staff, Mr. Gates Lloyd and I discussed this matter further with Mr. Macy on 21 November.

3. Mr. Macy stated at that time that, as a result of Mr. Veatch's meeting it would be possible to transfer [REDACTED] dollars to the Agency to fund the costs shifted from the Department of Defense contract. It was confirmed that our further request was for the amount of [REDACTED] dollars to cover the over-runs. Mr. Macy raised two questions with regard to the further proposed transfer and release. First, he desired to be assured that the full amount of [REDACTED] dollars was required over and above the [REDACTED] released for CORONA in September (as stated in paragraph 2. above). Second, he desired assurance that the total SENTRY/CORONA program cost for Fiscal Year 1959, including both Department of Defense and Agency funds, would not exceed the alleged ceiling of [REDACTED] dollars.

This document contains information
referring to Project **CORONA**

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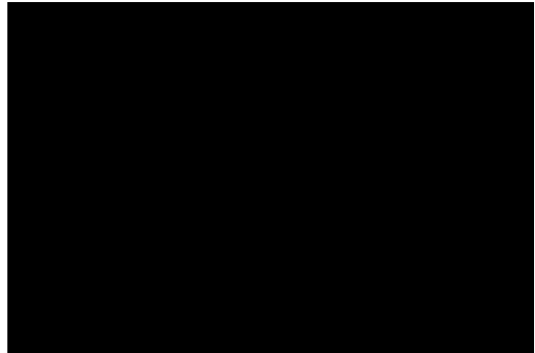
4. After further research I discussed this matter with Mr. Macy on the telephone on 26 November and I presented him with the following information:

a. Funds so far available to the Agency for CORONA total [REDACTED] dollars as stated in paragraph 1. above.

b. Present requirements now stand as follows:

Original Cost
Over-runs
Cost transferred from DOD
PRIME CONTRACT COSTS

Costs for Exploitation Equipment
for HTAUTOMAT
Miscellaneous
TOTAL AGENCY COSTS



c. The difference between these two figures indicates a need for a total of [REDACTED] dollars additional funds, which would be made up of the [REDACTED] to be transferred from ARPA and [REDACTED] additional release from the Reserve.

5. In giving Mr. Macy these numbers I made the following specific cautionary statements.

a. It is already apparent that the over-run on the prime contract will exceed [REDACTED] dollars, and could exceed it by as much as another .6 million dollars.

b. The present estimate of equipment required by HTAUTOMAT amounts to [REDACTED] dollars, .2 in excess of the figure given to Mr. Macy.

c. Almost none of the allowance of [REDACTED] for miscellaneous items will be used for administrative overhead or additional personnel; this amount and probably more will be required for purposes for which no express provision has yet been made, including notably film and processing costs.

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6. The information in the preceding paragraph provides answers to Mr. Macy's two questions. It is clear that the [REDACTED] dollars released in September for CORONA will barely cover the cost of equipment for HTAUTOMAT and miscellaneous costs. Therefore the additional [REDACTED] for prime contractor over-run must be obtained from the Agency Reserve. As to total program cost, the latest figure I have received from the Department of Defense states the cost to ARPA as [REDACTED] dollars which, added to our [REDACTED] dollars, would yield a total well within the alleged ceiling of [REDACTED] dollars. I explained to Mr. Macy, however, that the above [REDACTED] figure was in constant flux as the back-up rules are changed from week to week in the Pentagon and I had heard the figure quoted within the last ten days as high as [REDACTED] dollars. I also explained to him that today's quote on this same estimate is that ARPA's share of the cost of CORONA/SENTRY in Fiscal Year 1959 is down to [REDACTED] with the Air Force picking up [REDACTED] dollars in cost in Fiscal Year 1960. I argued that on any of the figures recently quoted the total program cost would seem to be within the alleged ceiling.

7. Mr. Macy said these explanations were helpful and that he would act on this matter as soon as he could have another consultation with Mr. Veatch, since the complex and unstable element in the equation appears to be Department of Defense accounting. I impressed upon Mr. Macy the fact that we needed these funds urgently and hope he did not miss the implied suggestion that we cannot afford to wait until that distant day when the Pentagon's program was stabilized.

8. For the record, the undersigned will never again assume any responsibility for the success of a major program without having a reasonable degree of control over its funding either through reliance on Agency funds or by means of an iron-clad agreement with the Department of Defense.

SIGNED

RICHARD M. BESSELL, JR.
Special Assistant to the Director
for Planning and Development

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